

cc: Larry

*R J Reynolds*

Tobacco Company

LARRY S. SCHREIBER  
Vice President - National Accounts

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November 6, 1995

Mr. Win Schiller  
WAM Enterprises, Inc.  
Post Office Box 853  
Bay City, MI 48707

Dear Win:

**Subject: R. J. Reynolds 1996 National Promotions Unavailable Only to Philip Morris Retailers With "Exclusive" Philip Morris Contracts**

We must immediately notify all WAM Distributors that due to newly approved 1996 Promotional Policy and strategy, R. J. Reynolds will not provide to any retailer who is participating in a Philip Morris "Exclusive" Contract Program any of our 1996 National promotions for any of our mid-price or full price brands. This will be a Company-wide (entire customer base) policy in 1996.

This policy will be a small modification/implication to the 1996 RJR and WAM promotional schedule as follows:

- ① RJR/WAM Account Managers will, as soon as possible, provide WAM Distributors a list of the retailers who we have identified as Philip Morris "Exclusive" contract retailers... these retailers may or may not be existing WAM contracted retailers. Our judgment is that only a small percent of each WAM Distributor's customer base is Philip Morris "Exclusive" retailers.
- ② Beginning with the first National Promotion in March (DORAL brands) and including the National Promotions for April, July, August, and December, the WAM Books Promotion Survey sheets will contain a printed statement... "This Promotion Unavailable for Retailers Participating in Philip Morris 'Exclusive' Retail Contracts."
- ③ Special Note -- Important!  
All "Signature" products and any "Signature" Promotions in 1995 and 1996 are allowed (okay) to be sold and shipped to these Philip Morris "Exclusive" Contract Retailers... as RJR views "Signature" as a WAM Distributor's brand.

Additionally, we will also allow the seven (7) brand displays of four (4) cartons @ \$1.50/display allowance for January, February, May, June, September, October, November to be sold to the PM "Exclusive" Retailers... selected brand styles within these displays achieve new distribution opportunities.

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- ① All accrual money committed to WAM Distributors, either for "Signature" and/or all other RJR brands, will still be paid to WAM Enterprises for all cigarettes shipped to WAM Retailers... we must only exclude in the WAM Promotional Books, the National Promotions from these calls designated as Philip Morris "Exclusive."

**Rationale**

R. J. Reynolds feels it is in our best interest and the best interest of the retailer and wholesaler to adopt a business philosophy to allow retail co-existence (fair share of market presence) of manufacturer's best products, programs, and promotions vs. practices which exclude the category in favor of promoting a single manufacturer (Philip Morris and Marlboro).

It is our viewpoint that retailers can best maximize total cigarette category profitability if they feature, display, and promote the broadest and best brands and promotions across the breadth of the category, appealing to 100% of all smokers, not just one manufacturer's big brand -- Marlboro. In 1995, many retailers who accepted Philip Morris "Exclusive" contract and eliminated the display, P.O.S., and promotional presence of other manufacturers, lost total category sales and consumers to other retailers.

Few retailers successfully build a category sales and profits and consumer satisfaction by excluding key major brands from their stores. I.e., Hershey, but no M&M Mars; Coke, but no Pepsi; Budweiser, without Miller; Marlboro, without WINSTON, SALEM, or Kool.

Hence, in 1996, RJR will identify our "Partners," both retail and wholesale. These customers who accept our Partners Programs will receive our support and resources. Those customers who choose to stay a Philip Morris "Exclusive" customer will not receive our National Promotions, or Partners Promotions, or Retail Merchandising Contracts.

We consider the WAM Distributors as RJR Partners and, as such, ask their cooperation to exclude the National RJR Promotions from retailers who are participating in Philip Morris "Exclusive" contracts. We anticipate that modifying the WAM 1996 Promotional Schedule only to this extent, should not in any significant manner alter the Distributor's capacity to build "Signature" sales, RJR other brand sales, and still maximize the upcoming 1996 RJR Wholesale Partners Program.

Very truly yours,

*Larry*

Larry S. Schreiber  
Vice President - National Accounts

LSS/kp

cc: J. V. Maguire  
Area Vice Presidents  
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